

Recession Continues

The employment situation in Pennsylvania remained in the doldrums as the recession continued in August.

The Labor Department collects employment data from separate surveys of households and businesses across the country. Data from the survey of households for August show Pennsylvania's labor market to have improved somewhat from a month earlier. However, these data mask some further deterioration in the economy seen in the survey of business establishments, which is generally thought to provide a more reliable picture of employment conditions.

The household survey shows total employment to have risen and unemployment to have declined in August as Pennsylvania's civilian labor force swelled to its highest level ever after seasonal adjustment. According to these data, August was the first month since November 1981 that more than five million Pennsylvanians were employed. Furthermore, the seasonally adjusted unemployment rate based on these data declined to 10.4 percent in August from July's high of 10.7 percent.

However, the survey of businesses shows little improvement in Pennsylvania's employment situation in August. The total number of nonfarm payroll jobs in manufacturing industries increased slightly to 1.151 million jobs from a revised 1.142 million jobs a month earlier. But, the increase came solely from nondurable goods industries, which regained nearly 90 percent of the almost 27,000 jobs lost in July. A large number of these job losses were due to vacation shutdowns in the apparel and textile industries, and therefore the job gains in August do not indicate much, if any, improvement in the economy.

In addition, the job level in durable goods industries continued to plummet in August, with a loss of another 15,200 jobs. These industries accounted for only 14.7 percent of all nonagricultural industry jobs in August whereas they had accounted for 16.8 percent of these jobs in July 1981 at the beginning of the current recession.

The length of the average factory workweek also declined in August after having risen steadily since April. And, although total weekly person-hours worked increased from July to August, total weekly payrolls declined after seasonal

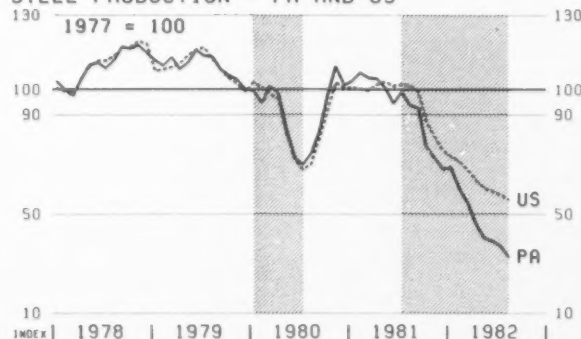
adjustment, reflecting in part concessions in pay hikes.

A lot of the bad news stems from Pennsylvania's steel industry. Production in Pennsylvania dropped to a chilling 669,583 tons in August, bringing the seasonally adjusted index down to less than one third of its 1977 level. Furthermore, the gap between Pennsylvania's level of production and total national production continued to increase in August (graph). In the past, the fortunes of Pennsylvania's steel mills pretty much followed that of the steel industry nationwide. During boom times for the industry, Pennsylvania's share of national production often increased to more than 23 percent. But, until the current recession, it hovered around 21 percent at other times. In August, Pennsylvania's share of total national steel production was down to 12.1 percent.

The bad news was not restricted to the manufacturing sector. The number of wage and salaried jobs in nonmanufacturing industries declined more than seasonally to 3.331 million jobs in August from a revised level of 3.345 million jobs in July. Unseasonal or more than seasonal decreases were experienced in the mining industries, public utilities, wholesale and retail trade, and state and local government. Small increases were seen in the construction and transportation industries.

Initial claims for unemployment compensation fell in August from July's level, but the drop was much less than the usual seasonal fluctuation. As a result, the seasonally

STEEL PRODUCTION - PA AND US



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adjusted index for new claims rose to its second highest level. August's figure was superseded only by the figure for May 1980.

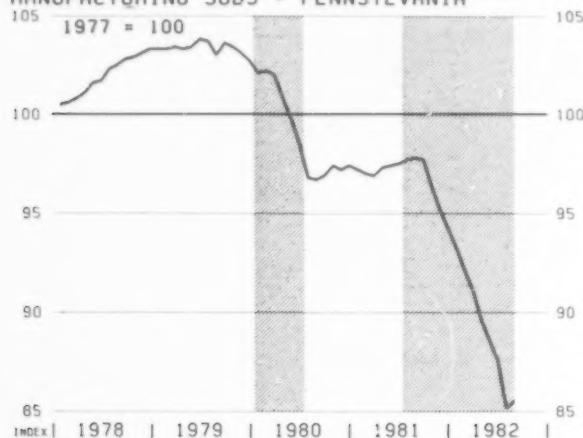
The downtrend in Pennsylvania's employment situation is likely to continue through September and October. More plant closings in the state's durable goods industries are planned for these months. A small increase in nonmanufacturing employment may be seen as teachers return to their jobs. But, unemployment is likely to stay in double digits at least for the next couple months.

Other economic indicators painted a somewhat less gloomy picture of Pennsylvania's economy. The value of construction contracts awarded in August was up from July's figure for both residential and nonresidential buildings. The total volume of debits to demand deposit accounts, although down slightly from July's level, was considerably higher than last year's level. On the other hand, the increase in industrial electric power sales in August from a month earlier

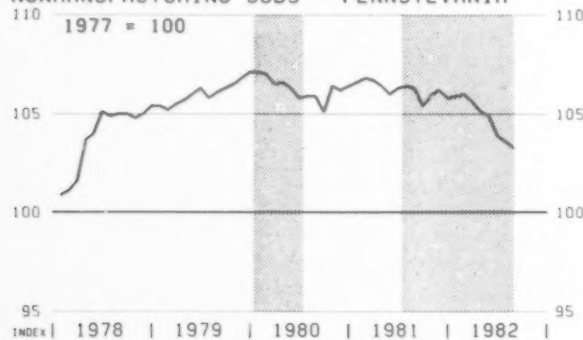
	U.S. Indexes (1967 = 100)	
	Consumers' prices, all items Urban index (unadjusted)	Industrial Production Total (seasonally adjusted)
Aug. 1981	276.5	153.6
Sept.	279.3	151.6
Oct.	279.9	149.1
Nov.	280.7	146.3
Dec.	281.8	143.4
Jan. 1982	282.5	140.7
Feb.	283.4	142.9
Mar.	283.1	141.7
Apr.	284.3	140.2
May	287.1	139.2
June	290.6	138.5
July	292.2	138.7
Aug.	292.8	138.0

Sources: Consumers' prices, U.S. Dept. of Labor; industrial production, Federal Reserve Board.

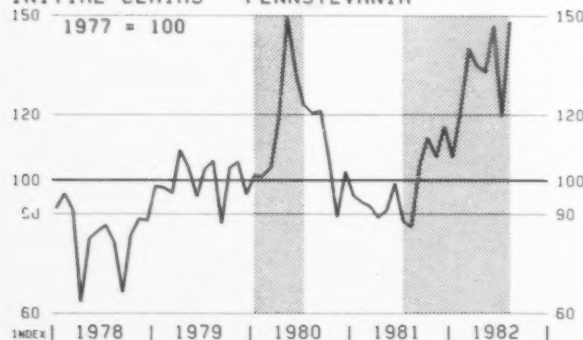
MANUFACTURING JOBS - PENNSYLVANIA



NONMANUFACTURING JOBS - PENNSYLVANIA



INITIAL CLAIMS - PENNSYLVANIA



was way below the usual seasonal increase, and therefore the seasonally adjusted index for this indicator fell to its lowest level since October 1971.

The Nation

Statistical indicators show economic recovery for the nation as a whole was still some distance off in August. In fact, August figures show the economy to have taken a step backwards from what little improvement was evident in July: industrial production declined 0.5 percent in August after July's rise of 0.1 percent; retail sales declined 0.9 percent after a rise of 1.2 percent in July; and new factory orders for durable goods fell 4.0 percent after July's increase of 2.5 percent.

Four consecutive monthly increases in the Commerce Department's composite index of leading indicators from April through July had been suggesting a recovery was on its way. Generally, this index rises two to three months before a recovery begins, but at times in the past, it has suggested an upturn as early as six months in advance and as late as a month in advance.

However, the index's recent four-month increase had been below par. In the seven previous postwar recessions, the index of leading indicators climbed an average of 5.5 percent during the four months following its low point whereas it rose by only 3.8 percent in the four months following the low in March of this year. Furthermore, these gains have not been carried over to the August figure, which fell 0.9 percent from July's level.

Among the leading indicators in the index are the average workweek of production workers in manufacturing industries, average weekly initial claims for state unemployment insurance, and the change in the price of nonfood crude materials. In August, the average factory workweek declined from 39.3 hours in July to 39.0 hours, wiping out steady gains experienced since May. New claims for unemployment insurance shot up in mid-August to more than 600,000 claims after averaging 515,000 claims in July. Finally, the prices for nonfood crude items fell 0.1 percent in August after jumping a whole percentage point in July. This price decline reflects slow sales and large inventories. Thus, a recovery may still be a good way off.

— Norma Gavin Pappas

ECONOMIC ACTIVITY IN PENNSYLVANIA	1982		1981 Aug.	Seasonally Adjusted Indexes (1977 = 100.)		1981 Aug.
	July	Aug.		1982 July	Aug.	
<i>Pennsylvania Industries</i>						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)	4,494*	4,485	4,752	98.0*	97.8	103.6
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,345*	3,331	3,431	103.6	103.3	106.3
Manufacturing						
No. of wage and salaried jobs (thous.)	1,142*	1,151	1,318	85.2*	85.5	97.8
Ave. wkly. hrs. worked by prod. workers	38.4*	38.2	39.4	97.8	97.2	100.3
Total wkly. person-hours worked (mils.)	29.6*	29.9	36.7	77.6*	78.6	96.6
Total wkly. payroll (mil. dols.)	255.9*	257.1	307.5	116.2*	115.0	137.5
Steel production (thous. tons)	765	670	1,931	37	33	94
Industrial electric power sales (mil. kwh)	3,202	3,212	3,921	92	85	105
Mining						
Anthracite coal (thous. net tons)	427	505	534	90	94	105
Bituminous coal (thous. net tons)	4,340	6,077	7,034	76	80	95
Construction contracts awarded (mil. dols.)						
Total	395.8	412.9	380.3*	115	118	115*
Residential building	157.4	193.4	148.5*	90	97	75*
Other building	131.9	163.9	135.4*	99	142	121*
Nonbuilding (utilities and public works)	106.6	55.5	96.4*	157	86	143*
<i>Employment of Pennsylvania Residents</i>						
Employed, no. of persons (thous.)	4,989	5,018	5,150	101.9	103.6	106.3
Unemployed						
No. of persons (thous.)	596	575	432	145.9	143.7	108.1
Rate (percentage of labor force)	10.7	10.3	7.7	—	—	—
Rate, seasonally adjusted	10.7	10.4	7.8	—	—	—
Civilian labor force, no. of persons (thous.)	5,585	5,593	5,583	105.3	106.7	106.5
<i>General Business Activity</i>						
Bank debits, percentage change in dol. vol.						
From previous month		- 2.0				
From same month, previous year		+ 23.9				

Notes:

* = Figure revised n.a. = Data not available

SOURCES AND DEFINITIONS OF
DATA ARE AVAILABLE ON REQUEST

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Data on employment have been revised to first quarter 1981 benchmarks.

Employment Situation Varies Among Major Population Groups

Starting with second quarter 1982 data, the Bureau of Labor Statistics (BLS) will release employment data from the household surveys for major population groups in Pennsylvania on a quarterly basis. These data will be routinely presented and analyzed in the Survey soon after their release. The following article is the first in this series.

Data recently released by the BLS show that the recession is affecting all major population groups in Pennsylvania. Unemployment rates for all groups in the second quarter of this year were higher than a year ago. Furthermore, these higher rates were accompanied by lower employment levels and lower labor force participation rates over the year for all groups, except women. The BLS data also show that certain groups are bearing a disproportionate share of the contraction in employment.

In a reversal of the historical relationship, unemployment rates were higher for men than for women in the first half of 1982. Historically, men tend to have lower unemployment rates than women, regardless of the stage of the business

cycle, but the difference in their rates does decrease during recessionary periods. The current reversal, although prevalent for both Pennsylvania and the nation, is more pronounced for Pennsylvania, where the unemployment rate for men stood at 11.2 percent in the second quarter and that for women stood at 8.7 percent.

The reversal can be explained by the differential distribution of men and women over industries and occupations and by the nature of the current recession. Men and women tend to work in different jobs, and certain jobs are more sensitive to business cycles than others. On average, more men than women are employed in cyclically vulnerable

PENNSYLVANIA BUSINESS SURVEY

October 1982

Vol. 23, No. 10

Published monthly by the Center for Research of the College of Business Administration, 103 Business Ad. Bldg. II, The Pennsylvania State University, University Park, Pennsylvania 16802. Subscription rate: \$5.00 a year.

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PENNSYLVANIA BUSINESS SURVEY

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College of Business Administration
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University Park, Pennsylvania 16802
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Nonprofit organization
U.S. postage paid
The Pennsylvania State University

018-01-03332
* CONGRESSIONAL INFO SRV-SRI
4520 EAST WEST HIGHWAY
WASHINGTON DC 20014

U.Ed. 83-241

industries, such as manufactures of durable goods. Pennsylvania has a more than proportionate share of these industries, which have been hit especially hard in the current recession.

In addition, the employment of nonwhite workers in Pennsylvania has deteriorated substantially relative to that of white workers. A differential distribution of white and nonwhite workers over industries and occupations may also explain this imbalance. Employment of nonwhite workers in Pennsylvania fell a dramatic 17.6 percent from second quarter 1981 to second quarter 1982 while employment among white workers dropped only 1.3 percent during this time.

Furthermore, the employment situation of Pennsylvania's minorities is far worse than that for nonwhite workers in the nation as a whole. Nationwide, employment of minorities fell only 1.6 percent over the year, and the unemployment rate for this group was 17.0 percent in the second quarter compared to 21.8 percent among Pennsylvania's minorities.

Pennsylvania also has a significantly larger pool of "discouraged workers" — those not seeking employment because of a perceived lack of employment opportunities — among its minorities, and the pool is growing. While the percentage of the nonwhite population who were either employed or seeking employment in the nation as a whole in second quarter 1982 was unchanged from a year earlier at 61.2 percent, the figure for nonwhites in Pennsylvania was 50.8 percent, down from 53.5 percent in second quarter 1981.

Teenagers also typically account for a disproportionately large share of the drop in employment during recessions. Although the increase in the unemployment rate for teenagers in Pennsylvania in second quarter 1982 from a year earlier is not that striking, it was accompanied by a sizable drop in their labor force participation rate over the year. Nationally, the unemployment rate for teenagers was higher than that of Pennsylvania, but so was the percentage of youths in the civilian labor force.

— Norma Gavin Pappas

Percentage Change in Employment, Unemployment Rates, and Labor Force Participation Rates by Sex, Race, and Age: Pennsylvania and the United States

Category	Percentage Change in Employment		Unemployment Rates			Labor Force Participation Rates		
	Over quarter	Over year	2nd qtr 1982	1st qtr 1982	2nd qtr 1981	2nd qtr 1982	1st qtr 1982	2nd qtr 1981
Pennsylvania								
Total, seasonally adjusted	0.0	-2.6	10.3	10.5	8.2	59.6	59.0	60.2
Total, unadjusted	1.3	-2.6	10.1	11.1	8.0	59.4	59.4	59.9
Male	1.2	-5.2	11.2	13.1	7.9	73.4	73.5	74.8
Female	1.3	1.1	8.7	8.5	8.2	47.3	47.0	47.0
White	2.3	-1.3	9.2	9.8	7.1	60.3	59.9	60.6
Black and other	-11.4	-17.6	21.8	24.4	17.6	50.8	54.4	53.5
16-19 years old	16.4	-10.9	20.2	25.6	19.5	50.5	48.3	53.3
United States								
Total, seasonally adjusted	0.2	-1.0	9.5	8.8	7.4	64.0	63.6	64.1
Total, unadjusted	1.8	-1.0	9.3	9.5	7.3	64.0	63.6	64.1
Male	2.4	-2.0	9.4	10.0	7.0	76.9	75.8	77.4
Female	1.0	0.2	9.2	8.8	7.6	52.4	51.8	52.1
White	1.9	-1.0	8.2	8.5	6.4	64.4	63.6	64.5
Black and other	0.8	-1.6	17.0	16.3	13.7	61.2	60.5	61.2
16-19 years old	11.1	-9.8	23.3	23.5	19.7	55.0	49.4	56.7

SOURCE: Current Population Surveys, Bureau of Labor Statistics, U.S. Department of Labor.

NOTES: The unemployment rate is the percentage obtained when the number of unemployed is divided by the number in the civilian labor force, and the labor force participation rate is the percentage obtained when the number in the civilian labor force is divided by the number in the civilian, noninstitutionalized population. Unless otherwise indicated, the data are not seasonally adjusted.

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